INSURANCE SERVICES ROUNDTABLE REPORT
January 12, 2005

MODERATOR: Bob Vastine

PANELISTS: Brad Smith, American Council of Life Insurers
Coletta Kemper, Council of Insurance Agents & Brokers

RAPPORTUER: Ann Main, USTR

Panelists and other participants represented a wide range of sectoral interests, including life, non-life, reinsurance and insurance agents and brokerage. A representative from the insurance regulatory body, the NAIC, also attended.

Participants highlighted the extremely important role of insurance for the health and growth of economies and its general benefits to societies. One of its key roles is as a risk transfer vehicle. For a small price, insurance companies take on the risks of others. This is important for individuals (property insurance as an example) or for companies that need large policies in areas such as transport insurance or to insure aspects of their business operations. A second important benefit is that insurance companies often reinvest their premiums collected in the domestic economy. Insurance companies also provide annuity and pension products.

Participants noted that U.S. industry, working with counterparts in the EU, Canada and Japan were very active in providing advice for the 1997 financial services negotiations and continue to provide priorities to negotiators for the current round of negotiations.

The participants discussed the "model schedule" approach to liberalization developed by the industry, which sets high access benchmarks for suppliers to be able to invest (in GATS lingo, establish a "commercial presence") and supply on a cross-border basis. Elements are drawn from the most liberal approaches found in GATS schedules or in FTAs. All insurance sectors – life, non-life, reinsurance, agents/brokers and insurance auxiliary services—are part of the model approach, including any insurance that has been deemed mandatory. The sub-sectors are connected since the brokers often create new business for the direct insurers. Many participants stated that they want the United States to seek model outcomes with all trading partners, while noting that industry could help negotiators with lists of barriers that exist in particular markets.

Many participants emphasized several times that countries should have the right to regulate insurance services in an appropriate fashion but that there is no reason that this issue should hold up trade negotiations. The International Association of Insurance Supervisors (IAIS) now exists and helps promulgate insurance standards (some fairly general in nature). The Financial Stability Forum follows up on implementation issues.

Regarding commercial presence, the "model" approach asks for freedom to choose form of establishment (as subsidiary, branch or joint venture). The "model" also notes that equity limitations are still a problem in some markets. Many participants noted a need for improved cross-border (electronic supply) access in the areas of reinsurance, marine, aviation and transport insurance, brokerage and insurance auxiliary services.

Countries should provide national treatment (no discrimination between domestic and foreign suppliers) in application of laws and regulations, for example, capitalization requirements should not be higher for foreign companies. Countries should also remove any nondiscriminatory limitations such as economic needs tests, monopolies, and quotas. Mandatory cessions affecting reinsurers should be eliminated. In some countries, it is still a problem that the regulator has ownership interests in the sector and does not function independently of those regulated.
The model schedule also explains that improvements to regulatory regimes are required to ensure that basic market access can be realized. It was noted that countries should provide transparency of domestic regulation (for example, advance notice and comment procedures) and operate licensing procedures in a speedy fashion. Countries should also ensure that licensed suppliers can quickly bring products to the market and should not intervene on pricing issues.

The U.S. insurance regime was discussed briefly, including its openness to foreign participation. The coordinating body for U.S. state regulators, the NAIC, works closely with U.S. negotiators and talks often with U.S. industry, to help prepare for the negotiations.

Participants felt that recent outcomes in the U.S. FTAs with other countries would serve as helpful impetus for obtaining good commitments from GATS members.

The importance of education and technical assistance on good regulation was emphasized. Some participants noted that sometimes bad regulation is a result of not having enough resources or knowledge of the issue.